

CITY OF ANITA

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

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City of Anita

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Miller	Mayor	Jan 2016
Mark Harris	Council Member	Jan 2018
Wade Jessen	Council Member	Jan 2018
Dennis Zimmerman	Council Member	Jan 2018
Jeff Bohnsack	Council Member	Jan 2016
Tom Harris	Council Member	Jan 2016
Lindsay Jahde	Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Miller	Mayor	Jan 2020
Mark Harris	Council Member	Jan 2018
Wade Jessen	Council Member	Jan 2018
Dennis Zimmerman	Council Member	Jan 2018
Jeff Bohnsack	Council Member	Jan 2020
Tom Harris	Council Member	Jan 2020
Lindsay Jahde	Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Anita for the period July 1, 2015 through June 30, 2016. The City of Anita's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the city's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.
17. We reviewed the status of previous report findings.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part therefore, the objective of which is the expression of opinions on financial statements or a part therefore. Had we performed additional procedures, or had we performed an audit of the City of Anita, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Anita and other parties to whom the City of Anita may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Anita during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schwan & Associates, P.C.

November 14, 2016

Detailed Recommendations

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City without evidence of independent review:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Library Department - All accounting functions are handled by one individual without adequate compensating controls.

Recommendation - The Library Department should segregate accounting duties to the extent possible.

- (C) Payroll Transactions – One payroll item tested did not report comp time hours for the pay period correctly. The individual was to be paid 0.15 hours of comp time and 79.85 of regular hours, but was paid 80 hours of regular time. While the net check is not affected, the employees comp time balance is overstated.

We also noted that although one employee's regular salary was approved, an additional hourly rate paid for special project work was not approved by the council.

Recommendation – The Council should ensure hours being paid and type of compensation agrees between time cards and paychecks when reviewing payroll transactions. Also, all wage rates should be approved by council through resolution.

- (D) Excess Balance – The balances in the Enterprise – Sewer account were in excess of the disbursements made from each fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balance, and where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

- (E) Deposits and Investments – While a resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Iowa Code, the authorized amounts were exceeded during the first half of the year.

Recommendation – We recommended in the prior year that the City Council, by resolution, approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa. We noted that this was resolved.

- (F) Local Option Sales Tax Expenditures – For the first half of the year the City transferred LOST funds into the general fund without explanation, therefore it could not be determined if LOST funds were expended as required by local ballot provisions. The transfer for the second half of the year specified what the transferred funds were to be spent on.

Recommendation – In the prior year we recommended that the City spend the funds directly out of the LOST Fund in order to track how the funds are expended and whether they are in accordance with the LOST ballot provisions, or specify how the transfers from LOST funds are to be spent. We noted this has been resolved.

- (G) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended for encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (H) Annual Urban Renewal Report (AURR) – The City understated the amount reported as TIF debt outstanding at July 1, 2015 on the AURR Levy Authority Summary by \$145,747.

Recommendation – The City should ensure amounts reported on the AURR Levy Authority Summary agree with the City's records.